

Market Alert

Tuesday 19 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6078	-0.0003
NZD/AUD	0.9272	-0.0051
NZD/JPY	90.88	-2.58
NZD/EUR	0.5593	-0.0047
NZD/GBP	0.4776	-0.0008
NZD/CNH	4.3882	-0.0620
AUD/USD	0.6554	0.0033
AUD/EUR	0.6029	-0.0018
EUR/USD	1.0870	0.0084
USD/CNH	7.2068	-0.0985
GBP/USD	1.2726	0.0012
EUR/GBP	0.8540	0.0055
INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.96%	4.02%
10 year Govt	4.74%	4.20%

Let's start with a bit of culture ...

... well, it's not culture per se, it's a quote in the FT from Aswath Damodaran, Professor of Finance at the Stern School of Business, who states, "I'm going to say something that's going to sound weird: a market with a T-Bond (10-year Treasury) rate of 4.00% is much healthier than a market with a T-Bond rate of 1.50%. People don't feel the urge to do stupid things! The fact that the T-bond rate is 4.00% is a good sign for the markets and for the economy. All this talk about 'when will the Fed lower rates?' completely misses the point. This is where we ought to be."

It's an interesting take and one that shouldn't be completely ignored.

But today's excitement will come from the other side of the Pacific.

From the BoJ specifically ... will they, or won't they, hike their cash rate to zero and do away with their yield curve control (YCC) and ETF purchases? Speculation is building they will start with the YCC and ETF purchases but hold on the cash rate. Ultimately though, for us Antipodeans, it's all about the JPY, with USD/JPY the big driver, which is currently sitting at 149.00, with 146.65-149.60 the key levels to watch. Currently NZD/JPY is at 90.66 and AUD/JPY at 97.75.

We may also get a bit of excitement from the RBA this afternoon as well, although I'm not too optimistic with practically everyone calling for an unchanged verdict. Maybe we'll get a few interesting comments from Governor Michelle Bullock.

While markets were relatively stable overnight ...

... there was a little bit of excitement after the US NAHB/Wells Fargo housing market index firmed to 51 from February's 48, the Eurozone posted a trade surplus of EUR11.4b, compared to the EUR32.6bn deficit 12-months ago. While there was a bucketload of data from China, the releases were generally below expectations with the unemployment rate increasing from 5.1% to 5.3% and retail sales falling from 7.4% to 5.5%, although there was a positive after industrial production increased 7.0% in the first 2 months of the year compared with the same period 12-months ago.

And speaking of China, their embassy in Singapore has urged its citizens to stay away from all forms of betting, saying gambling overseas violates Chinese laws! That's like trying to keep me away from beer!

The surge in Chinese manufacturing saw copper futures surge to their highest level in 11 months, above the USD4.10 level on hopes a buoyant Chinese manufacturing economy will boost demand for the world's top metals. This acted as a boost for commodity prices broadly with oil prices following copper's lead, rallying 2.0% with Brent currently trading at USD87.00 and WTI at USD82.75.

Equity markets also had good sessions, posting gains in the 0.5%-1.0% range, although the Nikkei rallied 2.5% ahead of today's BoJ meeting after Goldman announced they expect a rate hike. FX markets were quiet, with most pairs range bound as the USD posted marginal gains, mainly on the back of slightly higher yields with the US 2- and 10-years firming 1bps and 3bps to yield 4.74% and 4.34%, respectively.

Finally, ECB council member Centeno announced, "The Euro-area has been stagnant. Currently we're not talking about a Euro-area recession but cutting rates may help prevent a recession," while the NZIER has revised down its 2024 GDP forecast to 0.5% and their 2025 call to 0.8%, with household spending expected to contract -1.0% over the next year as about 50.0% of homeowners will need to reset their mortgages at higher rates.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.20					CAD	0.8226 0.8884
NZD/USD	0.6081	0.0000	-0.0001	-0.0003	-0.0009	CHF	0.5397 0.5822
NZD/AUD	0.9274	-0.0009	-0.0025	-0.0051	-0.0092	CNY	4.3794 4.7212
NZD/JPY	90.89	-0.45	-1.28	-2.58	-4.80	DKK	4.1691 4.4957
NZD/EUR	0.5594	-0.0008	-0.0022	-0.0047	-0.0103	FJD	1.3609 1.4675
NZD/GBP	0.4778	-0.0001	-0.0003	-0.0008	-0.0019	HKD	4.7527 5.1249
						KRW	812.06 875.66
AU TWI	61.40					MYR	2.8664 3.0909
AUD/USD	0.6554	0.0006	0.0017	0.0033	0.0054	NOK	6.4771 6.9832
AUD/NZD	1.0780	0.0010	0.0027	0.0054	0.0093	SEK	6.3445 6.8414
AUD/JPY	97.97	-0.40	-1.12	-2.25	-4.27	SGD	0.8138 0.8775
AUD/EUR	0.6029	-0.0003	-0.0007	-0.0018	-0.0050	TWD	19.25 20.76
AUD/GBP	0.5150	0.0004	0.0010	0.0019	0.0029	ZAR	11.52 12.42
USD Index	103.60					EQUITIES	
EUR/USD	1.0870	0.0014	0.0039	0.0084	0.0178		Index
USD/JPY	149.08	-0.74	-2.09	-4.17	-7.69	NZX50	11,728
GBP/USD	1.2726	0.0002	0.0006	0.0012	0.0024	ASX200	7,676
EUR/GBP	0.8540	0.0010	0.0027	0.0055	0.0120	Dow Jones	38,837
						S&P 500	5,163
						FTSE100	7,723
						DAX 30	17,933
						Nikkei	39,740
INTEREST RATES		New Zealand		Australia		COMMODITIES	
		Mid		Mid			USD
30 day bank bills		5.59%		4.35%		Brent Crude	86.92
90 day bank bills		5.64%		4.40%		Gold	2,160.06
1 year swap		5.45%		4.21%		Silver	25.06
2 year swap		4.98%		4.03%		Iron Ore	109.61
3 year swap		4.66%		3.95%		CRB Index	328.85
5 year swap		4.42%		4.13%			NZD
10 year swap		4.46%		4.38%		NZ Carbon	65.20
3 year Govt bond		4.65%		3.80%			
5 year Govt bond		4.50%		3.88%			
10 year Govt bond		4.74%		4.23%			

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